

# Benchmarking Your IR Program

The NIRI San Francisco chapter shares insights on the various metrics used by IR teams.

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**B**enchmarking the success of an IR program can depend on a number of factors, including market cap, industry, stability of financial metrics, and a management team's support of the function. Once aligned with management on the objectives of the program, an IRO needs to ensure that the appropriate qualitative and quantitative metrics are tracked to demonstrate the program's value added.

At a recent NIRI San Francisco event, titled "Benchmarking Your IR Program," panelists discussed the goals and metrics used to benchmark their respective IR programs. Attendees learned about the objectives of best-in-class IROs, as well as the internal metrics they use to benchmark the quality and effectiveness of their IR programs.

The panel also covered how IROs communicate these metrics to management and their boards.

The panel's moderator was Victoria Hyde-Dunn, director of investor relations at Visa, Inc. Speakers included Steve Austenfeld, vice president, investor relations at The Clorox Company; Julie Tracy, IRC, senior vice president and chief communications officer at Wright Medical Group N.V.; and Marty Palka, chief intelligence analyst, investor relations at Cisco Systems.

## Long-Term Metrics

Overwhelmingly, these IROs focused on achieving long-term valuation targets and on lowering stock volatility compared to their peer groups. All panelists emphasized that valuation and stock price appreciation metrics can span a long period and noted that companies should also monitor unwanted volatility.

"Our primary focus from an investor relations standpoint is assessing whether the company's stock is fairly valued, based on what information is known in the market and versus our internal intrinsic valuation work. This helps shape our external messaging," Austenfeld of Clorox noted. "And, while we monitor short-term stock movement, our focus is always on seeking to be fairly valued over the long term."

## Quantitative and Qualitative Measures

Beyond valuation metrics, the panelists all reported having accountability for a variety of other quantitative measures, as well as for qualitative ones. According to a 2016 NIRI research report, 81 percent of IROs use at least one IR metric to measure their program's success. Some of the metrics cited by the

speakers included the number of meetings per year, analyst coverage, quality of the shareholder base, peer valuations, and Wall Street message retention.

Tracy of Wright Medical said that her annual bonus is tied to the IR department's quantitative goals. "My bonus is tracked to the weighted average turnover rate of the top 50 shareholders," she said, "and I am also accountable for whether or not sell-side notes accurately reflect company's current positioning, regardless of opinion."

### Communicating IR Success


The panelists said they provide weekly, monthly, and quarterly reports to both their boards and management team. They also participate in weekly executive staff meetings to communicate the IR strategy and performance on key metrics, as well as to provide overall Wall Street feedback on the company and its sector.

"We have constant engagement with all key Wall Street stakeholders, and we are responsible for providing feedback to management on our messaging and whether it is well understood in the market," Palka of Cisco stated. His department also provides daily updates on peer news, market updates, and research on Cisco. "For example, every morning, we send out a daily market update, discussing what analysts are saying about Cisco, our tech peers and competitors, as well as an overview of the market."

### Getting Feedback From the Street

While it is important to benchmark your IR program, it is imperative that companies seek feedback from Wall Street on external perceptions of the IR program. Everyone noted that they provide informal investor feedback to the management team and conduct perception studies on an ongoing basis. Further, IR departments follow sell-side research to ensure there is strong message pick up, which acts as a qualitative form of measurement.

"A successful program combines a healthy balance of quantitative and qualitative assessments from proactive engagement, education, and feedback by internal and external stakeholders," shared Hyde-Dunn of Visa. "You want to continually demonstrate IR's value as a strategic business partner and favorably influence the external impression of the organization."

Whether the focus is on qualitative metrics like message uptake or quantitative metrics such as long-term valuation or volatility, it is clear that measuring IR department performance should be a priority for IROs. By aligning with management on goals and objectives, an IRO can identify and track the appropriate measures for their industry and market cap to drive long-term success. 

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